



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

August 21, 2012

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

MEDICAL, DENTAL, LIFE INSURANCE, AND DISABILITY PLANS FOR 2013 (ALL DISTRICTS) (3 VOTES)

SUBJECT

Recommendation to approve premium rates and benefit changes for the 2013 calendar year for the medical, dental, life, and disability benefit plans applicable to represented and non-represented employees.

IT IS RECOMMENDED THAT THE BOARD:

1. Approve proposed premium rates for County-sponsored plans as follows:
(a) medical and dental rates for represented employees for the period January 1, 2013 through December 31, 2013, as recommended in this letter and shown in Exhibit I; (b) medical and dental rates for non-represented employees for the period January 1, 2013 through December 31, 2013, as recommended in this letter and shown in Exhibit II; (c) basic life and accidental death and dismemberment (AD&D) insurance rates and for represented employees, optional group term life and dependent life insurance rates, for the period January 1, 2013 through December 31, 2013, as shown in Exhibit III; (d) Supplemental Group Variable Universal Life (GVUL) and dependent term life for non-represented employees for the period January 1, 2013 through December 31, 2016, as shown in Exhibit III; (e) Survivor Income Benefit (SIB) rates for non-represented employees for the period January 1, 2013 through December 31, 2014, as shown in Exhibit III; and (f) rates for Short-Term Disability (STD), Long-Term Disability (LTD), and LTD Health Insurance plans, as shown in Exhibit IV.

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

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2. Instruct County Counsel to review and approve as to form the appropriate agreements and/or amendments as follows:
 - a. Anthem Blue Cross and Anthem Blue Cross Life and Health Insurance Company (Anthem Blue Cross); Connecticut General Life Insurance Company and Cigna Healthcare of California, Inc. (Cigna); Kaiser Foundation Health Plan, Inc. (Kaiser); Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (Kaiser Mid-Atlantic); UnitedHealthcare of California and UnitedHealthcare Insurance Company (UnitedHealthcare); SafeGuard Health Plans, Inc. (SafeGuard); Delta Dental of California (Delta Dental PPO); Delta Dental of California for DeltaCare USA (DeltaCare USA); and Life Insurance of North America (LINA) or their successors or affiliates, as necessary, for the period January 1, 2013 through December 31, 2013.
 - b. Metropolitan Life Insurance Company (MetLife) or their successors and affiliates, as necessary, for the period January 1, 2013 through December 31, 2014.
3. Instruct the Chair to sign the aforementioned agreements and/or amendments.
4. Approve proposed premium rates and benefit coverage changes for the health plans sponsored by the Association for Los Angeles Deputy Sheriffs, Inc. (ALADS), the California Association of Professional Employees (CAPE), and the Los Angeles County Fire Fighters Local 1014 (Local 1014), for the period January 1, 2013 through December 31, 2013, as shown in Exhibit V.
5. Instruct the Auditor-Controller to make all payroll system changes necessary to implement the changes recommended herein to ensure that all changes in premium rates are first reflected on pay warrants issued on January 15, 2013.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Purpose

The County maintains employee health, dental, group life, and other insurance programs to provide benefits that promote the effectiveness, health, and welfare of its workforce. The current premium rates and/or agreements for all County and union-sponsored medical, dental, and life insurance plans will end on December 31, 2012. The purpose of the recommendations contained in this letter is to implement negotiated

agreements with carriers to continue existing benefits and to adopt changes, as recommended, for the 2013 calendar year.

Justification

Overall Premium Negotiation Process and Results

County-Sponsored Plans in General. The recommendations regarding the County-sponsored plans (Exhibits I, II, III, and IV) are the result of negotiations between the health, dental, and life insurance carriers and the County negotiating team consisting of representatives of the Chief Executive Office (CEO), Department of Human Resources (DHR), and the County's group insurance consultant, Aon Hewitt (Aon). The unions' benefit consultants also provided input into the insurance carrier negotiation process for County-sponsored plans with benefits governed by the Fringe Benefits Memoranda of Understanding (MOU) with Service Employees International Union Local 721 (Local 721) and the Coalition of County Unions (CCU).

Aon has concluded that the County-sponsored plans carriers' final negotiated rates are justified. Their opinion and the supporting due diligence are documented in Attachments A and B.

In general, County medical and dental plans are rated by carriers based on the cost of claims, claims trend, and administration costs. The ratings also consider the health risk of and the utilization of health care by County employees and their covered dependents. In 2013, the primary cost drivers of increasing health care costs include the effect of Federal and State mandates under healthcare reform which contain new provisions for autism care and women's preventive health services. Aon estimates this rate at 10.5 percent in Southern California.

The County-sponsored medical plan rates recommended in this letter, averaging 7.4 percent for represented employees and 11.9 percent for non-represented employees, are 3.1 percent lower and 1.4 percent higher respectively than the projected Southern California average. The Southern California dental trend continues to be more moderate than the medical trend, averaging 4 percent to 5 percent, depending on the type of plan.

The rates for the County's Delta Dental PPO plan, which covers the majority of the County's employees, will remain the same as for plan year 2012 and are guaranteed through 2013. Basic life, optional life, and dependent life insurance rates will remain the same as the 2012 rates and are guaranteed through 2013. Due to the County's

favorable experience, AD&D rates will decrease by 13.6 percent for both represented and non-represented employees for 2013. Supplemental GVUL and dependent term life insurance rates will remain unchanged and are guaranteed through 2016. SIB rates remain the same as 2012 and are guaranteed through 2014.

County Approved Union-Sponsored Plans. The premium and benefit recommendations for County-approved union-sponsored health plans (Exhibit V) were negotiated by the sponsoring unions and evaluated by the CEO and DHR pursuant to the relevant provisions of the CCU Fringe MOU and County Code. The joint CEO and DHR recommendations are provided later in this report.

Renewal Policy and Process. In accordance with County policy, the County negotiating team requires all carriers to justify rates and support proposed contract terms for the upcoming plan year. The rate renewal process for 2013 (Attachments A and B) is designed to encourage full involvement and transparency among all County, union, and carrier stakeholders. The process involves production of data by carriers as needed, identification, in-depth analysis, and evaluation of all material underwriting issues in carrier proposals, and documentation of due diligence and financial results. All parties complied with the process.

Overall Results. Attachment C is a high level summary of carrier negotiation results that compare the estimated actual total premiums from initial carrier premium quotes for 2013 with the final result after performance guarantee review, challenges to carrier underwriting, benefit changes, and negotiation. Summary reasons for the negotiated reductions are given.

Total 2013 premiums to be paid to health, dental, group life, and other insurance plan carriers are estimated to be \$1.2 billion, of this total just over \$1 billion is for County-sponsored plans and \$195.5 million for union-sponsored plans. This is an increase of \$82 million (7.2 percent) over 2012.

Total savings from initial 2013 carrier proposals are \$17.1 million. This amount includes \$16.3 million in negotiated savings from 2013 carrier proposals and \$852,000 from performance guarantee refunds and rate credits.

Attachment C also shows the percentage increase for each carrier by cafeteria plan as well as the total increase for County-sponsored health, dental, group life, and other insurance programs. The increase in medical plan premiums estimated to be paid to health carriers during 2013 will range from 6.6 percent to 14.1 percent (8.1 percent average). This is lower than the expected average projected Southern California

increase of 10.5 percent. The overall increase for dental plans will be 0.1 percent. For 2013, AD&D insurance rates will decrease by 13.6 percent for both represented and non-represented employees.

2013 Premium Rates Recommended for Approval

Recommended Rates. County and union-sponsored health, dental, group life, and other insurance rates recommended for adoption are shown in Exhibits I through V. Unless otherwise noted in this letter, the rates support existing benefits consistent with the applicable MOU or County Code provision. The rates shown in these exhibits are the monthly prices that employees will pay from County cafeteria plan contributions after County subsidies are subtracted from negotiated premium rates paid to carriers. For this reason, percentage increases in premium rates to be charged to employees as shown in the exhibits, in many cases, may differ from the negotiated increases in premium to be paid to carriers as reported in the body of this letter and in Attachment C.

Union Concurrence. On July 12, 2012, the CCU and management representatives in the Labor-Management Employee Benefits Administration Committee (EBAC) voted to recommend the premium rates for employees represented by the CCU.

On July 18, 2012, Local 721 and management representatives voted in the Labor-Management Benefits Administration Committee (BAC) to recommend the premium rates for the County-sponsored plans applicable to employees represented by Local 721.

Health Care Reform Changes. The health care spending account, available to employees under each of the County's flexible benefit plans, is a voluntary account where employees may set aside part of their salary on a pre-tax basis to pay for out-of-pocket health care expenses. The current annual maximum employees may contribute under the Internal Revenue Service rules that govern pre-tax spending accounts is 5,000 per year (\$400 per month under the County's plans). Under the new rules required by the Patient Protection and Affordable Care Act, the annual maximum that employees may contribute is reduced to \$2,500 per month (\$200 per month under the county's plans). The new rule for the health care spending account limit goes into effect January 1, 2013. In a separate letter related to the Fringe Benefit Memoranda (MOU) for the CCU and Local 721, the accompanying MOUs and Ordinance will be revised to reflect this change.

Implementation of Strategic Plan Goals

The recommended actions are consistent with the principles of the Countywide Strategic Plan by promoting the well-being of County employees and their families by offering comprehensive employee benefits.

FISCAL IMPACT/FINANCING

Each cafeteria plan, including represented employee plans provided by MOUs with County unions, provides for a County contribution and, in some cases, an additional subsidy to help pay the cost of insurance benefits. Employees pay for additional costs above and beyond the County contributions through payroll deductions.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The general facts concerning 2013 premium rate and benefit adjustments for County-sponsored plans affecting both represented and non-represented employees are stated in this section. The details of each carriers' County-sponsored medical, dental, group life, and other insurance plan proposal, Aon's evaluation and opinion concerning their justifications and terms of offer are given in Attachments A and B.

Medical Plan Rates Affecting Represented Employees

Cigna Rates for 2013. Cigna provides two different plans to employees represented by the CCU: a Health Maintenance Organization (HMO) and a point of service plan (POS). The 2013 negotiated contract rates for the Cigna plans will increase 12 percent. Aon's opinion certifying Cigna's 2013 rates as justified is included in Attachment A.

Kaiser Rates for 2013. Kaiser's 2013 rates will increase by 7.5 percent for the CCU plan and 6.6 percent for the Local 721 plan. Aon's opinion certifying Kaiser's 2013 rates as justified is included in Attachment A.

UnitedHealthcare Rates for 2013. UnitedHealthcare provides two fully insured plans to employees represented by Local 721: an HMO and a preferred provider organization (PPO) plan. The 2013 overall negotiated contract premium rates for both plans will increase 7.2 percent (6.98 percent for the HMO and 19.8 percent for the PPO). Aon's opinion certifying UnitedHealthcare's 2013 rates as justified is included in Attachment A.

Union-Sponsored Plan Benefit Changes and Rates for 2013. Premiums for County-approved union-sponsored plans will also increase for 2013. The estimated increase in premiums paid to carriers in 2013 on behalf of the union-sponsored plans is approximately \$10.6 million or 5.7 percent over 2012. Proposed 2013 premium increases to be paid to carriers and benefit changes for the ALADS, CAPE, and Local 1014 plans are summarized below:

Summary of Union-Sponsored Plan Changes for 2013

| Union Sponsor | Average Increase in Rates to be Paid to Carrier on Behalf of Plan Sponsor | Requested Benefit Changes |
|-------------------|---|---|
| ALADS | 8.1% | <ul style="list-style-type: none"> • Increase in HMO office visit copay from \$5 to \$10. • Increase in HMO/PPO brand prescription drug copay from \$10 to \$15. • Increase in PPO deductible from \$200 individual/\$600 family to \$300 individual/\$900 family. • Change status to non-grandfathered. |
| CAPE | 2.2% | <ul style="list-style-type: none"> • Annual deductible was reduced from \$500 individual/\$1,000 family to \$400 individual/\$800 family. • Out-of-pocket maximum in HMO tier one for Lite and Classic was reduced from \$2,000 individual/\$4,000 family to \$1,500 individual/\$3,000 family. • Out-of-network co-insurance for Lite and Classic plans increased from 60% to 70%. • No limit on chiropractic and acupuncture visits for Lite and Classic plans. • \$10,000 survivor benefit was added to the Lite, Classic, and PPO plans. • Long-term disability benefit to pay the medical plan premium for up to 2 years after a 6-month waiting period. |
| Local 1014 | 4.9% | <ul style="list-style-type: none"> • No benefit changes. |

The subsidized rates to be paid by employees enrolled in union-sponsored plans are summarized in Exhibit V. The complete list of carrier benefit changes, upon which the 2013 rates are based, is documented in the union request letters attached to Exhibit V. We have reviewed the changes for all three plans and support them.

Dental Plan Changes Affecting Represented Employees

The recommended employee contribution rates for County-sponsored represented employee dental plans are summarized in Exhibit I. The employee contribution rates shown for the Delta Dental PPO plan are Delta's proposed rates for 2013, less current County subsidies previously negotiated with the unions and approved by the Board. Since subsidies can affect year-to-year differences, the percentage rate differences shown in Exhibit I differ from those described in this section. The rates for prepaid dental plans (DeltaCare USA and SafeGuard) are the rates negotiated with the carriers. Delta Dental PPO rates are the same as 2012 and are guaranteed through 2013. The prepaid dental plan DeltaCare USA's 2012 rates for Local 721 and the CCU will increase by 2.9 percent in 2013.

SafeGuard's contract rates will remain the same for 2013.

Aon's opinion certifying the dental rates as justified is included in Attachment B.

Life Insurance and Disability Programs for Represented Employees

Basic term life, optional group term life insurance, and dependent life insurance rates for 2013 are the same as 2012 and are guaranteed through 2013. AD&D rates will be reduced by 13.6 percent due to favorable experience.

Medical Plan Changes Affecting Non-represented Employees

Non-represented employees who participate in the MegaFlex and Flexible Benefit plans have a choice between Kaiser and four Anthem Blue Cross health plans, which include an HMO, POS, PPO, and a Catastrophic Plan. For 2013, the average increase in contract rates for the Anthem Blue Cross HMO and Anthem Blue Cross indemnity plans (POS, PPO, and Catastrophic) will be 10.6 percent.

For 2013, Kaiser initially provided a rate increase of 19.6 percent due to unfavorable overall claims experience; however, Kaiser agreed to smooth out the experience due to the sharp increase in utilization that is not a reasonable predictor of 2013 costs. Kaiser reduced the rate increase to 14.1 percent, with a \$2.75 million deferral that will be added to the 2014 rate. The 2014 rate will be capped at the same level as Kaiser's other large organizations to minimize any rate increase.

The 2013 negotiated contract rates for the Kaiser Mid-Atlantic plan, available to the few CEO employees working in the Washington, DC area, are community rated and will increase 6.45 percent for 2013. There are currently no employees enrolled in this plan.

Aon has reviewed the proposed increases and recommends that the County accept the final 2013 renewals offered by Anthem Blue Cross and Kaiser (see attachment B for their review and opinion).

We recommend that the Board continue the historical County practice of funding any difference between the negotiated contract cost of these plans and the contribution paid by the employees. The recommended employee contribution rates for non-represented employees are summarized in Exhibit II.

Dental Plan Changes Affecting Non-represented Employees

The recommended employee contribution rates for County-sponsored non-represented employee dental plans are summarized in Exhibit II. The Delta Dental PPO rates have been reduced by current County subsidies previously approved by the Board. Since subsidies can affect year-to-year differences, the percentage rate differences shown in Exhibit II differ from those described in this section. The rates for prepaid dental plans (DeltaCare USA and SafeGuard) are the rates negotiated with the carriers.

The Delta Dental PPO rates are the same as 2012 and are guaranteed through 2013. The prepaid dental plan DeltaCare USA's 2012 rates will increase by 2.9 percent in 2013.

SafeGuard's contract rates will remain the same as 2012.

Aon's opinion certifying the dental rates as justified is included in Attachment B.

Life Insurance and Disability Programs for Non-represented Employees

GVUL life insurance and dependent term life rates remain the same and are guaranteed through 2016. SIB rates remain the same and are guaranteed through December 31, 2014. In 2013, additional SIB coverage levels are available starting at 10 percent to a maximum level of 50 percent and are shown in Exhibit III. Cigna's basic term life insurance rates for certain non-represented employees remain the same and are guaranteed through 2013. Cigna's AD&D rates will be reduced by 13.6 percent due to favorable experience.

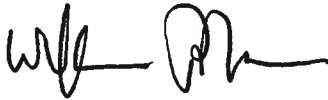
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There will be no changes in the cost of the Long-Term Disability (LTD), LTD Health Insurance and Short-Term Disability (STD) rates for 2013.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

None.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'WTF' followed by a stylized surname.

WILLIAM T FUJIOKA
Chief Executive Officer

WTF:JA:MTK
LSB:mst

Attachments (11)

c: Auditor-Controller
County Counsel
Executive Office, Board of Supervisors
Human Resources
SEIU Local 721
Coalition of County Unions
Aon

**COUNTY-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
FOR REPRESENTED EMPLOYEES
CURRENT 2012 RATES AND PROPOSED 2013 RATES**

| Plan | Option | Coverage Category ^a | Current 2012 Rates ^b | Proposed 2013 Rates ^b | Percentage Change |
|-----------------------------|-------------|-----------------------------------|------------------------------------|-------------------------------------|----------------------|
| CIGNA Choices | Network HMO | 1 | \$ 520.65 | \$ 583.13 | 12.0% |
| | | 2 | \$ 1,038.49 | \$ 1,163.76 | 12.1% |
| | | 3 | \$ 1,195.80 | \$ 1,339.95 | 12.1% |
| | Network POS | 1 | \$ 934.94 | \$ 1,047.13 | 12.0% |
| | | 2 | \$ 1,662.69 | \$ 1,862.87 | 12.0% |
| | | 3 | \$ 1,744.19 | \$ 1,954.15 | 12.0% |
| CIGNA Options | Network HMO | 1 | \$ 514.65 | \$ 577.13 | 12.1% |
| | | 2 | \$ 1,034.93 | \$ 1,160.20 | 12.1% |
| | | 3 | \$ 1,190.24 | \$ 1,334.39 | 12.1% |
| | Network POS | 1 | \$ 928.94 | \$ 1,041.13 | 12.1% |
| | | 2 | \$ 1,659.13 | \$ 1,859.31 | 12.1% |
| | | 3 | \$ 1,738.63 | \$ 1,948.59 | 12.1% |
| KAISER Choices | | 1 | \$ 552.53 | \$ 593.87 | 7.5% |
| | | 2 | \$ 1,099.62 | \$ 1,182.29 | 7.5% |
| | | 3 | \$ 1,276.43 | \$ 1,372.33 | 7.5% |
| KAISER Options | | 1 | \$ 527.91 | \$ 562.92 | 6.6% |
| | | 2 | \$ 1,058.83 | \$ 1,128.84 | 6.6% |
| | | 3 | \$ 1,227.68 | \$ 1,308.90 | 6.6% |
| UNITEDHEALTHCARE Options | HMO | 1 | \$ 499.61 | \$ 534.90 | 7.1% |
| | | 2 | \$ 1,012.33 | \$ 1,083.62 | 7.0% |
| | | 3 | \$ 1,172.15 | \$ 1,254.73 | 7.0% |
| | PPO | 1 | \$ 1,085.87 | \$ 1,302.06 | 19.9% |
| | | 2 | \$ 2,196.00 | \$ 2,632.59 | 19.9% |
| | | 3 | \$ 2,543.89 | \$ 3,049.76 | 19.9% |

^a 1 = Employee only

2 = Employee + 1 Dependent

3 = Employee + 2 or more Dependents

^b Rates reflect current negotiated County subsidies

CIGNA, Kaiser, and UnitedHealthCare rates include mandatory Federal healthcare reform & Autism benefit costs.

**COUNTY-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
FOR REPRESENTED EMPLOYEES
CURRENT 2012 RATES AND PROPOSED 2013 RATES**

| Plan | Option | Coverage Category ^a | Current 2012 Rates ^b | Proposed 2013 Rates ^b | Percentage Change |
|---|--------|-----------------------------------|------------------------------------|-------------------------------------|----------------------|
| DELTA DENTAL ^b Choices | | 1 | \$ 27.07 | \$ 27.07 | 0.0% |
| | | 2 | \$ 45.41 | \$ 45.41 | 0.0% |
| | | 3 | \$ 68.30 | \$ 68.30 | 0.0% |
| DELTA DENTAL ^b Options | | 1 | \$ 45.51 | \$ 45.51 | 0.0% |
| | | 2 | \$ 76.37 | \$ 76.37 | 0.0% |
| | | 3 | \$ 115.34 | \$ 115.34 | 0.0% |
| DELTACARE USA ^c Choices & Options | | 1 | \$ 14.97 | \$ 15.41 | 2.9% |
| | | 2 | \$ 24.69 | \$ 25.41 | 2.9% |
| | | 3 | \$ 36.52 | \$ 37.59 | 2.9% |
| SAFEGUARD ^d Choices & Options | | 1 | \$ 11.42 | \$ 11.45 | 0.3% |
| | | 2 | \$ 22.06 | \$ 22.09 | 0.1% |
| | | 3 | \$ 28.77 | \$ 28.80 | 0.1% |

^a 1 = Employee only

2 = Employee + 1 Dependent

3 = Employee + 2 or more Dependents

^b Delta Dental rates reflect negotiated County subsidy.

Delta Dental rates are guaranteed through 12/31/2013.

^c DeltaCare rates are guaranteed through 12/31/13.

^d SafeGuard rates are guaranteed through 12/31/2013.

SafeGuard 2012 rates reflect a credit adjustment of three (3) cents for 2010 performance guarantee penalty.

SafeGuard 2013 rates do not have any credit adjustment as there was no 2011 performance guarantee penalty.

**COUNTY-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
FOR NON-REPRESENTED EMPLOYEES
CURRENT 2012 RATES AND PROPOSED 2013 RATES**

| Plan | Option | Coverage Category ^a | Current 2012 Rates ^b | Proposed 2013 Rates ^b | Percentage Change |
|---|--------------------|--------------------------------|---------------------------------|----------------------------------|-------------------|
| ANTHEM BLUE CROSS | CaliforniaCare HMO | 1 | \$ 231.00 | \$ 254.00 | 10.0% |
| | | 2 | \$ 452.00 | \$ 498.00 | 10.2% |
| | | 3 | \$ 474.00 | \$ 522.00 | 10.1% |
| | | 4 | \$ 537.00 | \$ 591.00 | 10.1% |
| | PLUS POS | 1 | \$ 349.00 | \$ 384.00 | 10.0% |
| | | 2 | \$ 701.00 | \$ 772.00 | 10.1% |
| | | 3 | \$ 718.00 | \$ 791.00 | 10.2% |
| | | 4 | \$ 800.00 | \$ 881.00 | 10.1% |
| | Catastrophic | 1 | \$ 179.00 | \$ 197.00 | 10.1% |
| | | 2 | \$ 359.00 | \$ 395.00 | 10.0% |
| | | 3 | \$ 365.00 | \$ 402.00 | 10.1% |
| | | 4 | \$ 421.00 | \$ 464.00 | 10.2% |
| | Prudent Buyer PPO | 1 | \$ 446.00 | \$ 491.00 | 10.1% |
| | | 2 | \$ 819.00 | \$ 902.00 | 10.1% |
| | | 3 | \$ 850.00 | \$ 936.00 | 10.1% |
| | | 4 | \$ 985.00 | \$ 1,085.00 | 10.2% |
| KAISER Flex/Megaflex | | 1 | \$ 231.00 | \$ 254.00 | 10.0% |
| | | 2 | \$ 452.00 | \$ 498.00 | 10.2% |
| | | 3 | \$ 474.00 | \$ 522.00 | 10.1% |
| | | 4 | \$ 537.00 | \$ 591.00 | 10.1% |
| KAISER - MID-ATLANTIC | | 1 | \$ 231.00 | \$ 254.00 | 10.0% |
| | | 2 | \$ 452.00 | \$ 498.00 | 10.2% |
| | | 3 | \$ 474.00 | \$ 522.00 | 10.1% |
| | | 4 | \$ 537.00 | \$ 591.00 | 10.1% |
| DELTA DENTAL ^c Flex/Megaflex | | 1 | \$ 32.25 | \$ 32.25 | 0.0% |
| | | 2 | \$ 51.90 | \$ 51.90 | 0.0% |
| | | 3 | \$ 55.31 | \$ 55.31 | 0.0% |
| | | 4 | \$ 82.84 | \$ 82.84 | 0.0% |
| DELTACARE USA ^d Flex/Megaflex | | 1 | \$ 14.97 | \$ 15.41 | 2.9% |
| | | 2 | \$ 25.86 | \$ 26.62 | 2.9% |
| | | 3 | \$ 25.68 | \$ 26.43 | 2.9% |
| | | 4 | \$ 37.27 | \$ 38.36 | 2.9% |
| SAFEGUARD ^e Flex/Megaflex | | 1 | \$ 11.42 | \$ 11.45 | 0.3% |
| | | 2 | \$ 21.41 | \$ 21.44 | 0.1% |
| | | 3 | \$ 24.14 | \$ 24.17 | 0.1% |
| | | 4 | \$ 31.52 | \$ 31.55 | 0.1% |

^a 1 = Employee only

2 = Employee + Child(ren)

3 = Employee + Spouse

4 = Employee + Spouse + Child(ren)

^b Rates, where applicable, are net of County subsidy; except that the premium charged to an employee whose benefits are subject to COBRA is the carrier quoted rate plus an administrative charge as prescribed by COBRA.

Anthem Blue Cross rates include the cost of the 360° health programs and the cost of the vision benefit for the HMO, POS, and PPO.

Anthem Blue Cross and Kaiser rates include mandatory Federal healthcare reform & Autism benefit costs.

^c Delta Dental rates reflect negotiated County subsidy.

Delta Dental rates are guaranteed through 12/31/2013.

^d DeltaCare rates are guaranteed through 12/31/2013.

^e SafeGuard Rates are guaranteed through 12/31/2013.

SafeGuard 2012 rates reflect a credit adjustment of three (3) cents for 2010 performance guarantee penalty.

SafeGuard 2013 rates do not have any credit adjustment as there was no 2011 performance guarantee penalty.

**LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT
AND SURVIVOR INCOME BENEFIT PROGRAMS
CURRENT 2012 RATES AND PROPOSED 2013 RATES**

| | Monthly Cost per \$1,000 of Insurance | |
|---|--|----------------------------------|
| | <u>2012^a</u> | <u>2013^a</u> |
| COUNTY-PAID BASIC GROUP TERM-LIFE INSURANCE | \$0.146 | \$0.146 |
| OPTIONAL GROUP TERM LIFE INSURANCE FOR REPRESENTED EMPLOYEES | | |
| Employee: The monthly premium per \$1,000 of insurance is based on the employee's age as shown in the following table: | | |
| <u>Age</u> | <u>2012^{a,b}</u> | <u>2013^{a,b}</u> |
| Less than 30 | \$0.039 | \$0.039 |
| 30-34 | \$0.067 | \$0.067 |
| 35-39 | \$0.075 | \$0.075 |
| 40-44 | \$0.084 | \$0.084 |
| 45-49 | \$0.125 | \$0.125 |
| 50-54 | \$0.192 | \$0.192 |
| 55-59 | \$0.360 | \$0.360 |
| 60-64 | \$0.552 | \$0.552 |
| 65-69 | \$0.788 | \$0.788 |
| 70 and over | \$1.515 | \$1.515 |
| Dependent Term Life Insurance: | <u>2012^a</u> | <u>2013^a</u> |
| Cost per month per \$5,000 of coverage, no matter how many eligible dependents employee may have. | \$0.912 | \$0.912 |
| Coverage is offered in increments of \$5,000 up to \$20,000. | | |
| Dependent care coverage premium is charged to the employee. | | |

^a Rates are guaranteed through 12/31/2013.

^b The County subsidizes 15% of the monthly premium.

**LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT
AND SURVIVOR INCOME BENEFIT PROGRAMS
CURRENT 2012 RATES AND PROPOSED 2013 RATES**

OPTIONAL ACCIDENTAL DEATH & DISMEMBERMENT INSURANCE - Cost per Month

| <u>Employee Coverage</u> | <u>Current 2012 Rates*</u> | | <u>Proposed 2013 Rates*</u> | |
|--------------------------|-----------------------------|--------------------------|-----------------------------|--------------------------|
| | <u>Employee Only Plan G</u> | <u>Dependents Plan H</u> | <u>Employee Only Plan G</u> | <u>Dependents Plan H</u> |
| \$ 10,000 | \$0.15 | \$0.29 | \$0.13 | \$0.25 |
| \$ 25,000 | \$0.38 | \$0.73 | \$0.33 | \$0.63 |
| \$ 50,000 | \$0.75 | \$1.45 | \$0.65 | \$1.25 |
| \$100,000 | \$1.50 | \$2.90 | \$1.30 | \$2.50 |
| \$150,000 | \$2.25 | \$4.35 | \$1.95 | \$3.75 |
| \$200,000 | \$3.00 | \$5.80 | \$2.60 | \$5.00 |
| \$250,000 | \$3.75 | \$7.25 | \$3.25 | \$6.25 |
| \$300,000 | \$4.50 | \$8.70 | \$3.90 | \$7.50 |
| \$350,000 | \$5.25 | \$10.15 | \$4.55 | \$8.75 |

These figures apply regardless of employee's age. If Plan H is selected, all eligible dependents will be insured automatically.

The maximum insurance coverage amount for represented participants is \$250,000.

* Rates are guaranteed through 12/31/2013. AD&D rates are reduced for 2013.

**LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT
AND SURVIVOR INCOME BENEFIT PROGRAMS
CURRENT 2012 RATES AND PROPOSED 2013 RATES**

**OPTIONAL GROUP VARIABLE UNIVERSAL LIFE INSURANCE
FOR FLEX/MEGAFLEX PARTICIPANTS**

Employee: The monthly premium per \$1,000 of insurance is based on the employee's age as shown in the following table:

| <u>Age</u> | <u>2013 Rate*</u> | <u>Age</u> | <u>2013 Rate*</u> | <u>Age</u> | <u>2013 Rate*</u> |
|------------|-------------------|------------|-------------------|------------|-------------------|
| 20-24 | \$0.038 | 57 | \$0.283 | 77** | \$2.074 |
| 25-29 | \$0.047 | 58 | \$0.319 | 78** | \$2.341 |
| 30-34 | \$0.055 | 59 | \$0.357 | 79** | \$2.638 |
| 35-39 | \$0.056 | 60 | \$0.400 | 80** | \$3.405 |
| 40 | \$0.065 | 61 | \$0.451 | 81** | \$3.930 |
| 41-42 | \$0.066 | 62 | \$0.498 | 82** | \$4.287 |
| 43 | \$0.074 | 63 | \$0.535 | 83** | \$4.674 |
| 44 | \$0.084 | 64 | \$0.593 | 84** | \$5.092 |
| 45 | \$0.093 | 65 | \$0.616 | 85** | \$5.556 |
| 46 | \$0.102 | 66 | \$0.692 | 86** | \$6.042 |
| 47 | \$0.110 | 67 | \$0.736 | 87** | \$6.574 |
| 48 | \$0.129 | 68 | \$0.820 | 88** | \$7.144 |
| 49 | \$0.138 | 69 | \$0.911 | 89** | \$7.730 |
| 50 | \$0.147 | 70 | \$1.003 | 90** | \$8.329 |
| 51 | \$0.165 | 71 | \$1.109 | 91** | \$8.960 |
| 52 | \$0.174 | 72 | \$1.231 | 92** | \$9.607 |
| 53 | \$0.191 | 73 | \$1.352 | 93** | \$10.275 |
| 54 | \$0.210 | 74 | \$1.496 | 94** | \$10.953 |
| 55 | \$0.238 | 75 | \$1.649 | | |
| 56 | \$0.256 | 76** | \$1.831 | | |

* Rates are guaranteed through 12/31/2016.

Employee cost for Megaflex employees is half of actual premium. The County pays the other 50%.

** For employees age 76-94 who remain in County service, County will subsidize the difference between the employee's cost of coverage using the premiums for the employee's actual age and cost of coverage using age 75 rate.

**LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT
AND SURVIVOR INCOME BENEFIT PROGRAMS
CURRENT 2012 RATES AND PROPOSED 2013 RATES**

Dependent Term Life Insurance for Flex and Megaflex Participants

Cost per month per \$5,000 of dependent life coverage,
up to \$20,000. **2013 Rate***
1.12**

SURVIVOR INCOME BENEFIT - For Megaflex participants enrolled in Retirement Plan E

| Employee Age | Current 2012 Rates* | | Proposed 2013 Rates* | | | | |
|--------------|---------------------|--------------|----------------------|--------------|--------------|--------------|--------------|
| | Employee Cost** | | Employee Cost** | | | | |
| | (25% Option) | (50% Option) | (10% Option) | (15% Option) | (25% Option) | (35% Option) | (50% Option) |
| Under 30 | 0.160% | 0.309% | 0.062% | 0.093% | 0.160% | 0.216% | 0.309% |
| 30 to 34 | 0.198% | 0.408% | 0.082% | 0.123% | 0.198% | 0.285% | 0.408% |
| 35 to 39 | 0.259% | 0.531% | 0.106% | 0.159% | 0.259% | 0.372% | 0.531% |
| 40 to 44 | 0.370% | 0.729% | 0.146% | 0.219% | 0.370% | 0.510% | 0.729% |
| 45 to 49 | 0.494% | 0.988% | 0.198% | 0.297% | 0.494% | 0.691% | 0.988% |
| 50 to 54 | 0.655% | 1.308% | 0.262% | 0.393% | 0.655% | 0.916% | 1.308% |
| 55 to 59 | 0.938% | 1.889% | 0.378% | 0.567% | 0.938% | 1.322% | 1.889% |
| 60 to 64 | 1.284% | 2.569% | 0.514% | 0.771% | 1.284% | 1.799% | 2.569% |
| 65 to 69 | 1.765% | 3.530% | 0.706% | 1.059% | 1.765% | 2.471% | 3.530% |
| 70 and over | 3.136% | 6.270% | 1.254% | 1.881% | 3.136% | 4.389% | 6.270% |

* Rates are guaranteed through 12/31/2014.

** Employee Cost for Megaflex is half of the actual premium. The County pays the other 50%.

**SHORT-TERM DISABILITY, LONG-TERM DISABILITY
AND LONG-TERM DISABILITY HEALTH INSURANCE
CURRENT 2012 RATES AND PROPOSED 2013 RATES**

MEGAFLEX SHORT-TERM DISABILITY PLAN

Employee Cost as a Percentage of Monthly Salary:

| Current 2012 Rates | | | Proposed 2013 Rates | | |
|-------------------------------|---------------------------|-------------|--------------------------------|---------------------------|-------------|
| <u>Income Replacement</u> | <u>Waiting Period</u> | <u>Cost</u> | <u>Income Replacement</u> | <u>Waiting Period</u> | <u>Cost</u> |
| 70% | 14 Days | 0.000% | 70% | 14 Days | 0.000% |
| 100%* | 7 Days | 0.934% | 100%* | 7 Days | 0.934% |

* Reduced to 80% after 21 days

MEGAFLEX LONG-TERM DISABILITY PLAN

Employee Cost as a Percentage of Monthly Salary:

| <u>Income Replacement</u> | Current 2012 Rates | | <u>Income Replacement</u> | Proposed 2013 Rates | |
|-------------------------------|---------------------------------------|----------------------------|-------------------------------|---------------------------------------|----------------------------|
| | <u>Plan E + * Retirement Plan</u> | <u>All Other Plans</u> | | <u>Plan E + * Retirement Plan</u> | <u>All Other Plans</u> |
| 40% | 0.000% | 0.040% | | 0.000% | 0.040% |
| 60% | 0.117% | 0.157% | | 0.117% | 0.157% |

* Plan E plus 5 more years of continuous service

**SHORT-TERM DISABILITY, LONG-TERM DISABILITY
AND LONG-TERM DISABILITY HEALTH INSURANCE
CURRENT 2012 RATES AND PROPOSED 2013 RATES**

LONG-TERM DISABILITY HEALTH INSURANCE - Cost per month

For Flex/MegaFlex Employees

| <u>Current 2012 Rate</u> | | <u>Proposed 2013 Rate</u> | |
|---------------------------------|--------------------------|----------------------------------|--------------------------|
| 75 % Premium Payment | 100 % Premium Payment | 75 % Premium Payment | 100 % Premium Payment |
| \$0.00 | \$3.00 | \$0.00 | \$3.00 |

For Represented Employees

| <u>Current 2012 Rate</u> | | <u>Proposed 2013 Rate</u> | |
|---------------------------------|--------------------------|----------------------------------|--------------------------|
| 75 % Premium Payment | 100 % Premium Payment | 75 % Premium Payment | 100 % Premium Payment |
| \$0.00 | \$3.00 | \$0.00 | \$3.00 |

**UNION-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
CURRENT 2012 RATES AND PROPOSED 2013 RATES**

| Plan | Option | Coverage Category ^a | Current 2012 Rates ^b | Proposed 2013 Rates ^b | Percentage Change |
|-------------------------|---------------------------------|-----------------------------------|------------------------------------|-------------------------------------|----------------------|
| ALADS | Prudent Buyer Plan | 1 | \$ 743.92 | \$ 800.64 | 7.6% |
| Blue Cross | Under Age 50 | 2 | \$ 1,445.72 | \$ 1,557.69 | 7.7% |
| | | 3 | \$ 1,662.23 | \$ 1,790.79 | 7.7% |
| | | | | | |
| | Prudent Buyer Plan | 1 | \$ 743.92 | \$ 800.64 | 7.6% |
| | Age 50 and Over | 2 | \$ 1,445.72 | \$ 1,557.69 | 7.7% |
| | | 3 | \$ 1,662.23 | \$ 1,790.79 | 7.7% |
| | | | | | |
| | CaliforniaCare | 1 | \$ 502.21 | \$ 543.13 | 8.1% |
| | Basic Plan (All Ages) | 2 | \$ 972.40 | \$ 1,053.39 | 8.3% |
| | | 3 | \$ 1,203.93 | \$ 1,304.19 | 8.3% |
| | | | | | |
| | Prudent Buyer Plan | 1 | \$ 843.48 | \$ 908.78 | 7.7% |
| | Premier Plan Under Age 50 | 2 | \$ 1,545.28 | \$ 1,665.83 | 7.8% |
| | | 3 | \$ 1,761.79 | \$ 1,898.93 | 7.8% |
| | | | | | |
| | Prudent Buyer Plan | 1 | \$ 843.48 | \$ 908.78 | 7.7% |
| | Premier Plan Age 50 and Over | 2 | \$ 1,545.28 | \$ 1,665.83 | 7.8% |
| | | 3 | \$ 1,761.79 | \$ 1,898.93 | 7.8% |
| | | | | | |
| | CaliforniaCare | 1 | \$ 601.77 | \$ 651.27 | 8.2% |
| | Premier Plan (All Ages) | 2 | \$ 1,071.96 | \$ 1,161.53 | 8.4% |
| | | 3 | \$ 1,303.49 | \$ 1,412.33 | 8.3% |
| | | | | | |
| CAPE | Classic | 1 | \$ 721.00 | \$ 738.00 | 2.4% |
| Blue Shield | | 2 | \$ 1,399.00 | \$ 1,429.00 | 2.1% |
| | | 3 | \$ 1,666.00 | \$ 1,701.00 | 2.1% |
| | | | | | |
| | Lite | 1 | \$ 443.00 | \$ 454.00 | 2.5% |
| | | 2 | \$ 913.00 | \$ 933.00 | 2.2% |
| | | 3 | \$ 1,140.00 | \$ 1,165.00 | 2.2% |
| | | | | | |
| | PPO | 1 | \$ 718.00 | \$ 736.00 | 2.5% |
| | (Out-of-state only) | 2 | \$ 1,392.56 | \$ 1,423.56 | 2.2% |
| | | 3 | \$ 1,657.56 | \$ 1,694.56 | 2.2% |
| | | | | | |
| FIREFIGHTERS LOCAL 1014 | | 1 | \$ 613.00 | \$ 643.00 | 4.9% |
| | | 2 | \$ 1,164.56 | \$ 1,221.56 | 4.9% |
| | | 3 | \$ 1,383.56 | \$ 1,451.56 | 4.9% |

^a 1 = Employee only

2 = Employee + 1 Dependent

3 = Employee + 2 or more Dependents

^b Rates reflect current negotiated County subsidies

ENCLOSURES TO EXHIBIT V

1. ALADS Request
2. CAPE Request
3. Los Angeles County Fire Fighters Local 1014 Request

ALADS Insurance Trust

9500 Topanga Canyon Blvd. Chatsworth, CA 91311
Tel (818) 678-0040 • (800) 842-6635 • Fax (818) 678-0030

July 26, 2012

VIA U.S. MAIL AND E-MAIL: ecarrillo@hr.lacounty.gov

Ms. Lisa M. Garrett, Director of Personnel
County of Los Angeles
Hall of Administration, Room 579
500 West Temple Street
Los Angeles, California 90012

Attention: Ms. Eliza Carrillo, Human Resources Manager
Department of Human Resources
Employee Benefits – Deferred Income Division
3333 Wilshire Blvd., Suite #1000
Los Angeles, California 90010

RE: ALADS/ANTHEM BLUE CROSS 2013 HEALTHCARE PLAN PREMIUMS

Dear Ms. Carrillo:

Following are the monthly premium rates for the ALADS Anthem Blue Cross Prudent Buyer and CaliforniaCare medical and dental plans for the 2013 plan year:

| Plan | Employee | Employee + 1 | Employee + 2 |
|------------------------|----------|--------------|--------------|
| Prudent Buyer Basic | \$800.64 | \$1,563.13 | \$1,796.23 |
| Prudent Buyer Premier | \$908.78 | \$1,671.27 | \$1,904.37 |
| CaliforniaCare Basic | \$543.13 | \$1,058.83 | \$1,309.63 |
| CaliforniaCare Premier | \$651.27 | \$1,166.97 | \$1,417.77 |

These rates include the following benefit changes effective January 1, 2013:

HMO

- Office visit copay will increase from \$5 to \$10
- Brand prescription drug copay will increase from \$10 to \$15

(Computer generated and laser printed in-house)

Ms. Carrillo
Page 2
July 26, 2012

PPO

- Deductible will increase from \$200/individual, \$600/family to \$300/individual, \$900/family
- Brand prescription drug copay will increase from \$10 to \$15

The ALADS plans do provide "Creditable Coverage" as defined in the Act and will be non-grandfathered effective January , 2013.

Sincerely,

A handwritten signature in black ink, appearing to be 'Bud Treace', written over a horizontal line.

Bud Treace
ALADS Trust Administrator



July 19, 2012

Eliza Carrillo
Senior Human Resources Manager
Employee Benefits-Deferred Income Division
County of Los Angeles
Department of Human Resources
3333 Wilshire Boulevard
Los Angeles, CA 90010

Re: 2013 RENEWAL – CAPE/BLUE SHIELD MEDICAL PLANS

Dear Ms. Carrillo:

This letter is to advise you of the CAPE Benefit Trust Board of Trustees' approval of the renewal of Blue Shield's contracts for the year 2013 for the CAPE/Blue Shield Point of Service Classic, Lite and the out-of-state PPO COBRA medical plans. Attached please find the benefit structures and rates for all three plans.

The benefits listed below have been enhanced, or added, as follows:

- The annual deductible on the Lite plan has been reduced from \$500 individual/\$1,000 family to \$400 individual/\$800 family.
- The out-of-pocket maximum in the HMO tier (tier one) for both the Lite and Classic plans has been reduced from \$2,000 individual/\$4,000 family to \$1,500 individual/\$3,000 family.
- The out-of-network coinsurance for both the Lite and Classic plans has increased from 60% to 70%.
- For both the Classic and Lite plans, the number of calendar year chiropractic and acupuncture visits has been increased to no limit.
- A survivor benefit of \$10,000 offered through Blue Shield has been added to be paid to the beneficiary of a Lite, Classic or PPO subscriber.
- Medical plan premium disability has been added for the Lite, Classic and PPO plans offered through Mutual of Omaha which will pay the subscriber's premium for up to two years after a six month waiting period in the event of a County approved long term disability.

There are no other core benefit changes for 2013 other than any mandated regulatory changes. We would appreciate your forwarding the 2013 CAPE/Blue Shield medical plans' information to the Board of Supervisors for their timely approval.

Sincerely,

CALIFORNIA ASSOCIATION OF
PROFESSIONAL EMPLOYEES BENEFIT TRUST


John W. Fallon
Chairman
CAPE Benefit Trust Board of Trustees

Attachments

**2013 CAPE/Blue Shield
Classic Plan***

(RHO) 487-3092 www.blueshieldca.com

| BENEFITS | PRIMARY CARE NETWORK | | PPO NETWORK | | OUT-OF-NETWORK (Reimbursements Based On Allowable Amount) | |
|---------------------------------------|--|--|--|--|---|---|
| | All Participants | All Participants | All Participants | All Participants | All Participants | All Participants |
| Type of Plan Who is Eligible | All Participants | All Participants | All Participants | All Participants | All Participants | All Participants |
| Calendar Year Deductible | None | \$300 per person; \$600 per family maximum (combined PPO Network and Out-of-Network) | \$300 per person; \$600 per family maximum (combined PPO Network and Out-of-Network) | \$300 per person; \$600 per family maximum (combined PPO Network and Out-of-Network) | \$300 per person; \$600 per family maximum (combined PPO Network and Out-of-Network) | \$300 per person; \$600 per family maximum (combined PPO Network and Out-of-Network) |
| Maximum Annual Out-of-pocket Expenses | \$1,500/person; \$3,000/family | After deductible, \$4,000/person; \$8,000/family (combined - PPO Network and Out-of-Network) | After deductible, \$4,000/person; \$8,000/family (combined - PPO Network and Out-of-Network) | After deductible, \$4,000/person; \$8,000/family (combined - PPO Network and Out-of-Network) | After deductible, \$6,000/person; \$12,000/family (combined - PPO Network and Out-of-Network) | After deductible, \$6,000/person; \$12,000/family (combined - PPO Network and Out-of-Network) |
| Lifetime Maximum Benefit | Unlimited | Unlimited | Unlimited | Unlimited | Unlimited | Unlimited |
| PREVENTIVE CARE | | | | | | |
| Immunizations | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment |
| Periodic Health Exams | 100%; no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography) | 100%; no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography) | 100%; no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography) | 100%; no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography) | 100%; no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography) | 100%; no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography) |
| Vision Care | To age 18 screenings only; 100% through MDS providers-exam-\$10 copayment-one per 12 months; frames-\$10 copayment-one per 24 months; contact lenses up to \$120 per 24 months | 100%; no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography) | 100%; no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography) | 100%; no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography) | 100%; no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography) | 100%; no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography) |
| MEDICALLY NECESSARY CARE | | | | | | |
| Ambulance | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment |
| Doctor Office Visits | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment |
| Emergency Room | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment |
| Hospital Care | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment |
| Maternity | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment |
| Surgery | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment |
| X-Ray & Lab Tests | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment |
| Prescription Drugs | \$5 (generic), \$15 (brand name), \$30 (nonformulary-requires preapproval), Mail-Order- 90-day Supply: \$10 (generic), \$30 (brand name), \$60 (nonformulary-requires preapproval) | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment |
| MENTAL HEALTH CARE | | | | | | |
| Mental Health-Outpatient | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment |
| Mental Health-Inpatient | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment |
| OTHER PLAN BENEFITS | | | | | | |
| Chiropractic Care | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment |
| Hearing Aids | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment |
| Home Health Care | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment |
| Hospice Care | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment |
| Physical Therapy | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment |
| Skilled Nursing Facility | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment | 100%; no copayment |

*This is a limited benefit summary. Refer to the carrier summary for further details.

In case of discrepancies, the carrier's summary takes precedence.

2013 Premium Rates

Employee Only: \$738.00
Employee + One: \$1,434.44
Employee + Family: \$1,706.44

2013 CAPE/Blue Shield

Lite Plan*

(800) 487-3093 www.blueshieldca.com

| BENEFITS | | PRIMARY CARE NETWORK | | PPO NETWORK | | OUT-OF-NETWORK (Reimbursements Inset On Allowable Amount) | |
|---------------------------------------|--|---|--|---|--|--|--|
| Type of Plan | All Participants | Who is Eligible | | All Participants | | All Participants | |
| Calendar Year Deductible | None | | | \$400 per person, \$800 per family maximum (combined-PPO Network and Out-of-Network) | | \$400 per person, \$800 per family maximum (combined-PPO Network and Out-of-Network) | |
| Maximum Annual Out-of-pocket Expenses | \$1,500/person, \$3,000/family | | | After deductible, \$4,000/person, \$8,000/family (combined - PPO Network and Out-of-Network) | | After deductible, \$6,000/person, \$12,000/family (combined - PPO Network and Out-of-Network) | |
| Lifetime Maximum Benefit | Unlimited | | | Unlimited | | Unlimited | |
| PREVENTIVE CARE: | | | | | | | |
| Immunizations | 100%, no copayment | | | 100%, no copayment | | 100%, no copayment | |
| Periodic Health Exams | 100%, no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography) | | | 100%, no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography-not subject to deductible) | | 100%, no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography-not subject to deductible) | |
| Vision Care | To age 18 screenings only-100% through MES providers-exam- \$10 copayment-one per 12 months/lenses, frames-\$10 copayment one per 24 months/contacts up to \$120 per 24 months | | | Non-MES Providers-reimbursement per 12 months-Ophthalmologist exam up to \$60/Optomist up to \$50/reimbursement per 24 months-lenses, frames up to \$240, contact lenses up to \$100 | | Non-MES Providers-reimbursement per 12 months-Ophthalmologist exam up to \$60/Optomist up to \$50/reimbursement per 24 months-lenses, frames up to \$240, contact lenses up to \$100 | |
| MEDICALLY NECESSARY CARE | | | | | | | |
| Ambulance | 100% after \$50 copayment | | | 80% after deductible | | 80% after deductible | |
| Doctor Office Visits | 100% after \$10 copayment | | | 100% after \$25 copayment for consultation only (not subject to deductible) | | 100% after deductible | |
| Emergency Room | 100% after \$50 copayment (waived if admitted) | | | 100% after \$50 copayment (waived if admitted) | | 100% after \$50 copayment (waived if admitted) | |
| Hospital Care | 100%, no copayment | | | 80% after deductible | | 70% after deductible, carrier max payment \$360 per day | |
| Maternity | 100%, no copayment | | | 100% after \$25 copayment for consultation only (not subject to deductible) | | 70% after deductible | |
| Surgery | 100%, no copayment (outpatient \$75 copayment) | | | 80% after deductible | | 70% after deductible, outpatient-carrier max pym \$360 per day | |
| X-Ray & Lab Tests | 100%, no copayment | | | 80% after deductible | | 70% after deductible | |
| Prescription Drugs | \$5 (generic), \$15 (brand name), \$30 (nonformulary-requires preapproval), Mail-Order- 90-day Supply: \$10 (generic), \$30 (brand name), \$60 (nonformulary-requires preapproval) | | | \$5 (generic), \$15 (brand name), \$30 (nonformulary-requires preapproval), Mail-Order- 90-day Supply: \$10 (generic), \$30 (brand name), \$60 (nonformulary-requires preauthorization) | | Covered emergencies only - copayment applies | |
| MENTAL HEALTH CARE | | | | | | | |
| Mental Health-Outpatient | 100% after \$10 copayment | | | 100% after \$25 copayment for consultation only (not subject to deductible) | | 70% after deductible | |
| Mental Health-Inpatient | 100%, no copayment | | | 80% after deductible | | 70% after deductible, carrier max payment \$360 per day | |
| OTHER PLAN BENEFITS | | | | | | | |
| Chiropractic Care | 100% after \$15 copayment | ---Includes acupuncture; unlimited visits/calendar year (based on medical necessity)--- ---Provided through Magellan | | 100% after \$15 copayment Must be arranged through MESA--- | | Not covered | |
| Hearing Aids | --- | | | Not covered | | Not covered | |
| Home Health Care | \$1,000 maximum benefit every two years (combined 100 visits per calendar year) | | | 80% after deductible | | 70% after deductible | |
| Hospice Care | 100% when provided by authorized hospice agency | | | (combined 100 visits per calendar year) | | (combined 100 visits per calendar year) | |
| Physical Therapy | 100% after \$10 copayment | | | 100% when provided by authorized hospice agency | | 100% when provided by authorized hospice agency | |
| Skilled Nursing Facility | 100%, no copayment (combined 100 days per calendar year) | | | 80% after deductible | | 70% after deductible | |
| | | | | 80% after deductible (combined 100 days per calendar year) | | 70% after deductible (combined 100 days per calendar year) | |

2013 Premium Rates
 Employee Only: \$454.00
 Employee + One: \$938.44
 Employee + Family: \$1,170.44

**2013 CAPE/Blue Shield
COBRA PPO Plan***

(800) 487-3092 www.blueshieldca.com

| BENEFITS | | IN-NETWORK | OUT-OF-NETWORK (Reimbursements Based On Allowable Amount) |
|---|-----------------|--|--|
| Type of Plan | Who is Eligible | A Preferred Provider (Option Plan) | Participants residing outside the State of California |
| Calendar Year Deductible | | \$250 per person; \$500 per family maximum (combined-In-Network and Out-of-Network) | Participants residing outside the State of California |
| Maximum Annual Out-of-pocket Expenses | | After deductible, \$3,000/person; \$6,000/family (combined - In-Network and Out-of-Network) | After deductible, \$10,000/person; \$20,000/family (combined - In-Network and Out-of-Network) |
| Lifetime Maximum Benefit | | Unlimited | Unlimited |
| PREVENTIVE CARE | | | |
| Immunizations | | 100%; no copayment and not subject to the deductible | 100%; no copayment and not subject to the deductible |
| Periodic Health Exams | | 100%; no copayment (Includes Well Woman Pap Smear and Mammography/Well Baby Lab subject to deductible) | 100%; no copayment (Includes Well Woman Pap Smear and Mammography/Well Baby Lab subject to deductible) |
| Vision Care (dependent child in age 18) | | Screening only- 100%; no copayment | Screening only- 100%; no copayment |
| MEDICALLY NECESSARY CARE | | | |
| Ambulance | | 90% after deductible | 90% after deductible |
| Doctor Office Visits | | \$20 copayment (not subject to deductible) | 70% after deductible |
| Emergency Room | | 90% after \$50 copayment (waived if admitted) | 90% after \$50 copayment (waived if admitted) |
| Urgent Care | | 90% after deductible | 70% after deductible, carrier max payment \$420 per day |
| Maternity | | 100% after \$20 copayment (not subject to deductible) | 70% after deductible |
| Surgery | | 90% after deductible | 70% after deductible, outpatient-carrier max pymt \$420 per day |
| X-Ray & Lab Tests | | 90% after deductible | 70% after deductible |
| Prescription Drugs | | \$10 (generic), \$15 (brand name), \$30 (nonformulary) Mail Order 90-day Supply: \$20 (generic), \$30 (brand name), \$60 (nonformulary) | Covered for emergencies only- 75% of lesser of actual price or reasonable charge, minus copayment |
| MENTAL HEALTH CARE | | | |
| Mental Health-Outpatient | | \$20 copayment (not subject to deductible) | 70% after deductible |
| Mental Health-Inpatient | | 90% after deductible | 70% after deductible, carrier max payment \$420 per day |
| Chiropractic Care | | Provided by Magellan | Must be arranged through MUSA |
| | | \$20 copayment - maximum 12 visits per calendar year combined with Out-of-Network visits | 70% - maximum 12 visits per calendar year combined with In-Network visits |
| OTHER PLAN BENEFITS | | | |
| Home Health Care | | 90% after deductible | 70% after deductible |
| Hospice Care | | (combined 100 visits per calendar year) | (combined 100 visits per calendar year) |
| Physical Therapy | | 100% when provided by authorized hospice agency | 100% when provided by authorized hospice agency |
| Skilled Nursing Facility | | 90% after deductible | 70% after deductible |
| | | 90% after deductible (combined 100 days per calendar year) | 70% after deductible (combined 100 days per calendar year) |

*This is a limited benefit summary. Refer to the carrier summary for further details.

In case of discrepancies, the carrier's summary takes precedence.

2013 Premium Rates
Employee Only: \$ 736.00
Employee + One: \$1,429.00
Employee + Family: \$1,700.00



**LOS ANGELES COUNTY FIRE FIGHTERS
LOCAL 1014 HEALTH AND WELFARE PLAN**

3460 FLETCHER AVENUE • EL MONTE, CALIFORNIA 91731
(310) 639-1014 (800) 660-1014 (within California)



July 24, 2012

Ms. Eliza M. Carrillo
Senior Human Resources Manager
Employee Benefits/ Deferred Income Division
County of Los Angeles
Department of Human Resources
3333 Wilshire Boulevard
Los Angeles, California 90010

**RE: Plan Year 2013 Employee Insurance Information
Los Angeles County Fire Fighters Local 1014 Health and Welfare Plan**

Dear Ms. Carrillo:

In response to your letter of June 7, 2012, I am providing the plan year 2013 employee benefit and premium changes that were approved by the Board of Trustees at their meeting of July 23, 2012. The Trustees wish to have these changes included in your letter to the Board of Supervisors.

There are no benefit plan changes for 2013. After conferring with Mercer, the Plan's consultant, the Board of Trustees approved a 4.895 % premium increase for 2013. Our monthly rates for 2013, rounded to the nearest dollar are as follows:

| | |
|----------------------|------------|
| Member Only | \$ 643.00 |
| Member + 1 Dependent | \$1,227.00 |
| Family | \$1,457.00 |

As the new Administrative Manager for Local 1014, I look forward to working with you. Needless to say, should you have any questions, please contact me by E-mail at rcyrus@local1014.org or call me at (800) 660-1014.

Sincerely,

Reginald A. Cyrus, CEBS
Administrative Manager

C: Dave Gillotte

*Representing Professional Firefighters in 54 Cities and the County of Los Angeles
Affiliated with . . . International Association of Fire Fighters, AFL-CIO • California Professional Firefighters, AFL-CIO
California Labor Federation, AFL-CIO • L.A. County Federation of Labor, AFL-CIO*





Attachment A

July 31, 2012

Ms. Eliza Carrillo
Senior HR Manager
County of Los Angeles
3333 Wilshire Boulevard, Suite 1000
Los Angeles, CA 90010-4101

Subject: Summary of 2013 Renewal Results and Recommendations (Represented Plans)

Dear Eliza:

The following letter summarizes the 2013 renewal proposals for medical, dental, life and AD&D plans offered to the represented employees at the County of Los Angeles (the County), including our analysis, observations, and recommendations. The renewal request and negotiation process is outlined in the attached Addendum.

Medical Plans

Overview

For all represented medical plans, the final projected premium increase for 2013 is 7.4% or about \$52.2 million over 2012 premiums. The initial proposed renewal increase for the represented medical plans was 8.5%. Negotiated reductions to the medical renewals (exclusive of benefit design changes) equate to approximately \$7.6 million. For more details on final rate increases, please refer to Attachment C.

After evaluation of the renewal proposals, Aon Hewitt recommends that the County accept the final 2013 renewals offered by Cigna, Kaiser and United Healthcare (UHC) as outlined in the table below.

| | Cigna | Kaiser Choices | Kaiser Options | UHC |
|-----------------------------|--------|----------------|----------------|--------|
| Initial 2013 Renewal Action | +13.7% | +7.5% | +6.6% | +10.1% |
| Final 2013 Renewal Action | +12.0% | +7.5% | +6.6% | +7.2% |

It is our opinion that because the County is not making any carrier or benefit changes, all plans should continue to maintain 'grandfathered' status with respect to health care reform. We recommend the County seek the advice of their own legal counsel in this regard, as Aon Hewitt is not a law firm and cannot provide legal advice.

We believe the renewals are justified for all plans. A summary of key issues, proposal terms, and negotiation results are outlined by carrier on the following pages.

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Proprietary & Confidential

Cigna

Cigna initially proposed a **13.7%** increase to the combined HMO and POS rates for 2013, representing an increase of approximately **\$8.7 million** over 2012 premiums. These rates do not include 2011 performance guarantee penalty credits totaling \$50,000, due to the County. These penalty credits will be applied to the PSR.

Renewal discussions with Cigna targeted the following issues:

- High claims experience driving rate increase
- Retention calculation methods expressed as a percent of premium
- Effect of expanded step therapy on plan costs
- Factors used to generate demographic adjustment
- ER copay decrements
- Differences in PMPM cap rates between plans

The County's financial arrangement with Cigna provides for a year-end reconciliation of premiums, claims, and expenses associated with the plan. Surpluses are deposited to the PSR and any shortfall is withdrawn from the PSR, to the extent that funds are available. The PSR had grown to a significant level by 2008 and a premium subsidy was applied to the 2009 renewal. No subsidy was applied to the 2010 rates. As claim experience deteriorated, the annual accounting resulted in a deficit, and the stabilization reserve was exhausted. Therefore, there was no premium offset from the PSR for 2011 or 2012, and again there is no premium offset for 2013.

The chart below summarizes the most recent four years of the PSR (updated based settlements provided by Cigna).

| | 2008 | 2009 | 2010 | 2011 |
|--|--------------|---------------|---------------|--------------|
| Premium | \$44,090,806 | \$45,982,093 | \$54,445,612 | \$61,154,703 |
| Year-end Premium Stabilization Reserve (PSR) | \$8,018,960 | (\$1,175,616) | (\$1,552,812) | (\$414,033) |
| PSR % of Premium | 18.19% | -2.56% | -2.85% | -0.68% |

Negotiations with Cigna resulted in a final **12.0%** increase. This amounts to approximately **\$7.6 million** over current costs and a savings of approximately **\$1.1 million** from Cigna's original proposal. We believe that Cigna has justified their renewal position and that the County should accept their offer.

Kaiser

Kaiser's renewal proposal was a 7.5% increase for the Choices plan and a 6.6% increase for the Options plan, representing an increase over 2012 premiums of approximately \$8.0 million for Choices and \$20.6 million for Options. Kaiser's Southern California commercial trend rate for 2013 is projected to be 4.5 to 6.5%. In 2010 and the first half of 2011, Kaiser had no performance guarantee penalties with the County. No penalty amounts will be applied to 2013 rates. Performance guarantee results for the remainder of 2011 are not yet final and will be applied to the 2014 renewal.

Discussions with Kaiser on the renewal proposal targeted the following areas:

- Claims experience
- Emergency room utilization
- Demographic and plan changes
- Large claims pooling
- Retention charges
- Impact of newly opened Kaiser facilities on the County's employees
- Cap on Total Health Assessment (THA) budget

Claims Experience

Claims experience for 2011 trended to 2013 is the basis for the development of the 2013 rate increase. For this purpose, Kaiser Permanente applied a 6.8% trend rate which is reasonable and justified by market expectations. Overall claims experience was slightly less favorable than expected resulting in a 7.3% overall rate increase which is more than the trend rate of 6.8%. The single greatest claims experience factor contributing to the unfavorable experience is a 10.1% increase in emergency room visits.

Demographic and Plan Changes

The Kaiser Permanente renewal also reflects a change in the age and gender make up of the covered population. A very modest improvement in the demographic mix reduced the renewal by 0.03%. The renewal request also reflects differences between the benefits in effect for 2011 that are reflected in experience used to support the renewal and the provisions that will be in effect in 2013 are also reflected. This resulted in a 0.79% decrease for the CCU population and a 0.36% increase for the SEIU population. This adjustment for historical benefit changes is the sole factor accounting for the difference in the rate increases for the two groups.

Large Claims Pooling

Claims in excess of \$975,000 are removed from the experience and a pooling charge of \$1.42 per member per month is added to the rate development to cover these claims. The 2012 renewal was based on a \$900,000 pooling level and a pooling charge of \$0.82 per member per month. Kaiser Permanente increased both the pooling level and the pooling

charge to reflect increased large claims costs. The increase in the pooling charge results in a \$744,000 increase in premium for the represented population. \$347,000 of this increase is reasonable and justified based on the Kaiser book-of-business claims experience. The additional \$397,000 increase is based on other Kaiser Permanente business objectives unrelated to the claims experience or adequacy of the pooling charges. The portion of the pooling charge increase that is not supported by the claims experience represents less than 0.1% of the requested premium.

Retention Charges

Retention charges are 5.3% of premium or \$55.07 per employee per month. The retention charges cover the cost of claims payment and administration, risk charges, and Kaiser Permanente's margin. The retention charge is reasonable.

Conclusion

Aon Hewitt believes that the requested rate increase for the Kaiser Permanente represented plans is reasonable and justified.

United Healthcare

UHC's initial renewal proposal was a 10.1% overall increase. The increases were a 10.0% increase to the HMO and a 19.8% increase to the PPO rates for 2013, representing a total increase of approximately \$22.5 million over current premiums.

Discussions with UHC targeted the following key areas:

- Trend assumptions
- Completion factors and corresponding reserve estimates
- Retention applied as a percentage of premium
- Supplemental claims data
- ER copays
- Diabetes prevention and control alliance

UHC reduced its calculations on trend and retention to produce its final renewal position. Negotiations with UHC resulted in an increase of 7.0% for the HMO and no change to the 19.8% increase for the PPO, for a combined increase of 7.2%, representing a total increase of approximately \$16.0 million, and a total savings of \$6.5 million over the initial renewal position. A 2011 penalty credit of \$411,058 was applied to the 2013 rates. We believe that UHC has justified their renewal position and that the County should accept their offer.



Dental Plans

Delta Dental

Delta Dental PPO is currently under a 2 year rate guarantee that extends to 12/31/2013.

DeltaCare USA's initial renewal proposal was a 4.1% increase for both the Choices plan and the Options plan, representing an increase of approximately \$42,000 over current premiums for Choices and approximately \$80,000 for Options. Negotiations resulted in final renewals of 2.9% for both plans, for an approximate savings of \$12,000 for Choices and \$22,000 for Options.

Delta had performance guarantee penalties of \$20,962.19 for Choices and \$49,032.10 for Options, for a total penalty of \$69,994.29 for the represented population. Delta will place the PPO portion of the penalty in the plus stabilization fund, and the HMO portion will be used towards reduction of the 2013 HMO renewal rates. Based on our review, we believe that Delta's proposed rates are justified.

Safeguard Prepaid Dental

Safeguard's initial renewal proposal was a 4.0% increase for both the Choices plan and the Options plan, representing an increase of approximately \$38,000 over current premiums for Choices and approximately \$72,000 for Options. Negotiations resulted in final renewals of 0% for both plans, producing an approximate savings of \$38,000 for Choices and \$72,000 for Options.

Safeguard had no performance guarantee penalties with the County. No penalty amounts will be applied to 2013 rates. We believe Safeguard's most recent renewal proposal is justified and recommend that the County accept it.



Life and AD&D

Cigna Life

The basic life plan is a participating contract, meaning the County shares in surpluses on the plan. At the end of the 2011 plan year, there was approximately \$1.1 million available for refund to the County (Represented and Non-represented populations combined). Over the past couple of years, Cigna has given some substantial rate decreases: a 30% decrease effective 1/1/2011 and an additional 24% rate decrease effective 1/1/2012. Due to these rate decreases, the experience on the basic life has continued to decline, and is now running at 146% loss ratio, well over the target of 88%. At this rate, the County will continue to draw down on the surplus through 2014, at which point Cigna is likely to raise the rates back up to a sustainable level. Cigna is under rate guarantee through 12/31/2013.

A review of the plan's supplemental life experience revealed that it is running at an 87% loss ratio, which is right in line with target. The AD&D insurance has been running significantly better than expected, at a 50% loss ratio. Due to the limited credibility of AD&D coverage, Cigna originally renewed this line of coverage as is, but negotiations with Cigna resulted in a rate decrease of 13.6% to the AD&D coverage effective 1/1/2013 through 12/31/2013.

If you have any questions about the above information, please give me a call to discuss.

Sincerely,

Vern Menden
Senior Vice President
Aon Hewitt, Los Angeles

CC:

Jim Adams – County of Los Angeles
Mary Gilmore – County of Los Angeles
Maryanne Keehn – County of Los Angeles
Hoa Phan – County of Los Angeles
Jorge Alvidrez – Aon Hewitt, Los Angeles
Kent LeVihn – Aon Hewitt, Houston

Addendum

Process

The renewal request, analysis, and negotiation are multi-step processes, conducted over a period of several months. Request for Renewals (RFRs) are drafted and reviewed by the Aon Hewitt and County stakeholders.

The RFR includes:

- Stated assumptions and requirements, including a submission letter to be signed by an officer with the authority to bind the company
- Questionnaire targeting key County objectives and issues, including rate development, utilization, and legislative issues such as health care reform
- Plan performance exhibits comparing the County's past plan results to the carriers' book of business results
- Rate quotation, rate development, and projected cost exhibits
- Benefit design and contract changes
- Performance guarantees

All stakeholders submit requested changes to the draft. These are reviewed and incorporated into the final RFR, which is then released to the carriers.

Carrier proposals are submitted to all stakeholders at the same time. Following a review and analysis period, Aon Hewitt drafts negotiation letters for each plan. The drafts are reviewed by the County and the Union consultants, and their respective comments are incorporated before release to the carriers. Weekly status conference calls are conducted between Aon Hewitt and the County to discuss the renewal results, negotiation process, and any open issues.

Responses to the negotiation letters are due from the carriers prior to the renewal meetings. Again, the responses are delivered to all stakeholders concurrently. Final issues are reviewed and prepared for the renewal meetings.



Ms. Eliza Carrillo
County of Los Angeles
Page 8

Renewal meetings are conducted with each medical plan carrier. Attendees include representatives from the County of Los Angeles DHR and CEO offices, Union consultants, BAC and EBAC committees, and Aon Hewitt, as well as the carrier representatives. The carrier representatives generally include account/sales management, financial, operations, and medical/provider relations personnel. Issues discussed during the meetings include both financial and non-financial questions that explore carriers' methodologies for rate development. Outstanding issues and requests for reduced rates (when justified) are presented to each carrier. Following the meeting, carriers must respond to all identified issues in writing to all stakeholders.

The review and negotiation process continues until all open issues are resolved or the carrier has presented their final offer. The negotiation does not always result in agreement on particular topics; however, it may result in overall business concessions from the carriers.



Attachment B

July 31, 2012

Ms. Eliza Carrillo
Senior HR Manager
County of Los Angeles
3333 Wilshire Boulevard, Suite 1000
Los Angeles, CA 90010-4101

Subject: Summary of 2013 Renewal Results and Recommendations (Non-Represented Plans)

Dear Eliza:

The following letter summarizes the 2013 renewal proposals for medical, dental, life and AD&D plans offered to the non-represented employees at the County of Los Angeles (the County), including our analysis, observations, and recommendations. The renewal request and negotiation process is outlined in the attached Addendum.

Medical Plans

Overview

For all non-represented medical plans, the final projected premium increase for 2013 is 11.9% or about \$45.9 million over 2012 premiums. The initial proposed renewal increase for the non-represented medical plans was 17.8%. Negotiated reductions to the medical renewals (exclusive of benefit design changes) equate to approximately \$7.9 million. For more details on final rate increases, please refer to Attachment C.

After evaluation of the renewal proposals, Aon Hewitt recommends that the County accept the final 2013 renewals offered by Anthem and Kaiser. Please see page 2 for a detailed summary of Aon Hewitt's findings.

It is our opinion that because the County is not making any carrier or benefit changes, all plans should continue to maintain 'grandfathered' status with respect to health care reform. We recommend the County seek the advice of their own legal counsel in this regard, as Aon Hewitt is not a law firm and cannot provide legal advice.

A summary of key issues, proposal terms and negotiation results are outlined by carrier on the following pages.

| | Anthem | Kaiser |
|--------------------------------|--------|--------|
| Initial 2013 Renewal Action | +16.8% | +19.6% |
| Final 2013 Renewal Action | +10.6% | +14.1% |

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Proprietary & Confidential

Anthem Blue Cross

The Anthem Blue Cross program is a minimum premium arrangement, where expected and maximum liability costs are projected based on prior claims experience and the fixed costs associated with administration of the plan. The Anthem maximum liability costs are the basis for the renewals outlined in this letter. Anthem's initial renewal proposal was a 16.8% increase across all plans or about \$14.0 million over 2012 costs. All plans include specific stop loss of \$300,000 per individual. Aggregate stop loss is currently set at 120% of projected claims for the POS, PPO and Catastrophic plans; the aggregate stop loss limit is 115% of projected claims for the HMO plan.

Renewal discussions with Anthem targeted the following key areas:

- Increase in PMPM capitations in both the HMO and the POS plans
- Increases in pooling charges
- Medical and Rx trends
- Costs associated with Anthem Healthy Rewards program
- Anthem's disease management process/programs
- Administration fees

As a result of negotiations, Anthem updated claims projections and made a business decision that resulted in an overall increase of 10.6% across all plans, or about \$8.8 million over 2012 costs, representing a savings of \$5.2 million.

Anthem provided their 2011 performance guarantee report and applied the penalty of \$312,740 to the County's April 2012 invoice, so there is no direct impact to the renewal.

Vision benefits for the HMO, POS and PPO plans are offered on a non-participating insured basis through an arrangement between Anthem and VSP. There is also a portion of the vision benefit (coverage for laser eye surgery) that is self-insured by the County. The insured portion of the VSP cost received a 9.5% renewal increase for a two-year rate guarantee period through 12/31/2014. The cost of the vision program is included in the Anthem renewals described above.

We believe Anthem's most recent renewal proposal is justified and recommend that the County accept it.

Kaiser

Kaiser's initial renewal proposal is a 19.6% increase or about \$9.8 million over 2012 costs for the Flex/MegaFlex plan. Kaiser had no performance guarantee penalties with the County. No penalty amounts will be applied to 2013 rates. As performance guarantee results for 2011 are not yet final, any penalties incurred in the final months of 2011 will be applied to the 2014 renewal.

Discussions with Kaiser on the renewal proposal targeted the following areas:

The non-represented plan covers 5,100 employees and 6,000 dependents as of February, 2012. Based on the requested rate increase the plan would have projected cost of \$60.1 million in 2013 compared to a cost of \$50.3 million in 2012. This represents a rate increase 19.6%. Kaiser Permanente agreed to smooth out the experience due to the huge increases in utilization that appear to be an anomaly. This reduced the 2013 rate increase from 19.6% to 14.1%.

Kaiser Permanente has proposed deferring \$2.75 million of requested rate increase from 2013 to 2014. This results in a 14.1% rate increase for 2013 and a rate increase for 2014 equal to whatever the 2012 claims experience would indicate plus an additional \$2.75 million (4.8% in addition to the normal increase). In addition, for 2014 only, the rate increase will be subject to Kaiser Permanente's then prevailing standard floor and cap provisions for 2014.

Claims Experience

Claims experience 2011 is the basis for the development of the 2013 rate increase. Overall claims experience was unfavorable resulting in a requested 19.6% rate increase which is significantly higher than the expected trend rate of 6.8%. According to Kaiser Permanente, inpatient cost and emergency room utilization are the two main factors underlying the unfavorable experience. Specifically:

- The cost of inpatient claims increased by over 60% from 2010 to 2011. This was the result of a 7% increase in admissions, a 39% increase in the average length of stay (average number of inpatient days per admission), and an 8% increase in the cost per inpatient day.
 - The average length of stay increased by 1.3 days from 3.5 days in 2010 to 4.8 days in 2011.
 - The average cost per day for maternity admissions increased by 30% from \$3,540 to \$4,620.
 - The number of Skilled Nursing Facility (SNF) days increased over 500% from 5.7 to 34.4.
- Emergency Room utilization increased by 9%. However, the effect of this increased utilization was partially offset by a 6% decrease in the cost per emergency room visit.

Aon Hewitt believes, and Kaiser Permanente agreed, that the reported 2011 experience is not a reasonable predictor of 2013 costs, so appropriate actions were taken to smooth out the effect on the 2013 renewal.

Demographic Changes

The Kaiser Permanente renewal also reflects a change in the age and gender make up of the covered population. A very modest change in the demographic mix increased the renewal request by 0.06%.



Large Claims Pooling

Claims in excess of \$975,000 are removed from the experience and a pooling charge of \$1.42 per member per month is added to the rate development to cover these claims. The 2012 renewal was based on a \$900,000 pooling level and a pooling charge of \$0.82 per member per month. Kaiser Permanente increased both the pooling level and the pooling charge to reflect increased large claims costs. The increase in the pooling charge results in a \$91,000 increase in premium for the non-represented population. \$42,000 of this increase is reasonable and justified based on the Kaiser book-of-business claims experience. The additional \$49,000 increase is based on other Kaiser Permanente business objectives unrelated to the claims experience or adequacy of the pooling charges. This additional amount represents less than 0.1% of the projected premium.

Retention Charges

Retention charges are 4.9% of premium or \$47.72 per employee per month. The retention charges cover the cost of claims payment and administration, risk charges, and Kaiser Permanente's margin. The retention charge is reasonable.

Conclusion

The 2013 Kaiser Permanente renewal for the Non-Represented employees resulted in an increase of 14.1%, or about \$7.1 million over 2012 rates. This renewal is based on the 2011 claims experience trended by 6.8% to 2013. The 2011 claims experience was unfavorable, primarily as the result of a 60% increase in inpatient costs. Kaiser Permanente took appropriate actions to smooth out the unfavorable experience, and as a result Aon Hewitt believes that the proposed rate increase is reasonable and justified.



Dental Plans

Delta Dental

Delta Dental PPO is currently under a 2 year rate guarantee that extends to 12/31/2013.

DeltaCare USA's initial renewal proposal was a 4.1% increase for the non-represented plan, representing an increase of approximately \$11,000 over current premiums. Negotiations resulted in final renewals of 2.9%, for an approximate savings of \$3,000.

Delta had performance guarantee penalties of \$9,022.58 for the non-represented plan. Delta will place the PPO portion of the penalty in the plus stabilization fund, and the HMO portion will be used towards reduction of the 2013 HMO renewal rates. Based on our review, we believe that Delta's proposed rates are justified.

Safeguard Prepaid Dental

Safeguard's initial renewal proposal was a 4.0% increase for the non-represented plan, representing an increase of approximately \$8,000 over current premiums. Negotiations resulted in final renewals of 0%, for an approximate savings of \$8,000.

Safeguard had no performance guarantee penalties with the County. No penalty amounts will be applied to 2013 rates. We believe Safeguard's most recent renewal proposal is justified and recommend that the County accept it.

Life and AD&D

Cigna Life

The basic life plan is a participating contract, meaning the County shares in surpluses on the plan. At the end of the 2011 plan year, there was approximately \$1.1 million available for refund to the County (Represented and Non-represented populations combined). Over the past couple of years Cigna has given some substantial rate decreases: a 30% decrease effective 1/1/2011 and an additional 24% rate decrease effective 1/1/2012. Due to these rate decreases, the experience on the basic life has continued to decline, and is now running at 148% loss ratio, well over target of 88%. At this rate, the County will continue to draw down on the surplus through 2014, at which point Cigna is likely to raise the rates back up to a sustainable level. Cigna is under rate guarantee through 12/31/2013.

A review of the plan's supplemental life experience revealed that it is running at an 87% loss ratio, which is right in line with target. The AD&D insurance has been running significantly better than expected at a 50% loss ratio. Due to the limited credibility of AD&D coverage, Cigna originally renewed this line of coverage as is, but negotiations with Cigna resulted in a rate decrease of 13.6% to the AD&D coverage effective 1/1/2013 through 12/31/2013.



Ms. Eliza Carrillo
County of Los Angeles
Page 6

If you have any questions about the above information, please give me a call to discuss.

Sincerely,

A handwritten signature in dark ink, appearing to read "Vern Menden", with a horizontal line extending to the right.

Vern Menden
Senior Vice President
Aon Hewitt, Los Angeles

CC:

Jim Adams – County of Los Angeles
Mary Gilmore – County of Los Angeles
Maryanne Keehn – County of Los Angeles
Hoa Phan – County of Los Angeles
Jorge Alvidrez – Aon Hewitt, Los Angeles
Kent LeVihn – Aon Hewitt, Houston

Addendum

Process

The renewal request, analysis and negotiation are multi-step processes, conducted over a period of several months. A planning meeting will the County begins the process in which objectives for the following plan year are established. This process was conducted by the County and Aon Hewitt.

Based on the planning meeting discussions, a Request for Renewal (RFR) was drafted. The RFR includes:

- Stated assumptions and requirements, including a submission letter to be signed by a company officer with the authority to bind their proposal
- Questionnaire targeting key County objectives and issues, including rate development, utilization, legislative issues such as mental health parity and health care reform
- Plan performance exhibits comparing the County's past plan results to the carriers' book of business results
- Rate quotation, rate development and projected cost exhibits
- Benefit design and contract changes
- Performance guarantees

All stakeholders submit requested changes to the draft. These are reviewed and incorporated into the final RFR, which is then released to the carriers.

Carrier proposals are submitted to all stakeholders at the same time. Following a review and analysis period, Aon Hewitt drafts negotiation letters for each plan. The drafts are reviewed by the County, and their comments are incorporated before release to the carriers. Bi-weekly status conference calls are conducted between Mettler and the County to discuss the renewal results, negotiation process and any open issues.

Responses to the negotiation letters are due from the carriers prior to the renewal meetings. Again, the responses are delivered to all stakeholders concurrently. Final issues are reviewed and prepared for the renewal meetings.



Ms. Eliza Carrillo
County of Los Angeles
Page 8

Renewal meetings are conducted with each medical plan carrier. Attendees include representatives from the County of Los Angeles DHR and CEOs' offices, Aon Hewitt, and carrier representatives. The carrier representatives generally include account/sales management, financial, operations, and medical/provider relations personnel. Issues discussed during the meetings include both financial and non-financial questions that explore carriers' methodologies for rate development. Outstanding issues and requests for reduced rates (when justified) are presented to each carrier. Following the meeting, carriers must respond to all identified issues in writing to all stakeholders.

The review and negotiation process continues until all open issues are resolved or the carrier has presented their final offer. The negotiation does not always result in agreement on particular topics; however, it may result in overall business concessions from the carriers.

County of Los Angeles
2013 Renewal Results

| | 2012 | | 2013 | | % Change from 2012* | 2013 | | Performance Guarantee Credits | Total Change from Base Renewal |
|--|----------------------|---------------------------------|------------------------------------|------------------------------------|------------------------|-----------------------|----------------------------------|----------------------------------|-----------------------------------|
| | Current Plan | Initial Renewal Current Plan | Negotiated Renewal Current Plan | Negotiated Renewal Current Plan | | Negotiated Savings | Performance Guarantee Credits | | |
| Flex/MegaFlex | | | | | | | | | |
| Kaiser | \$50,023,725 | \$59,817,951 | \$57,077,875 | \$57,077,875 | 14.1% | \$2,740,076 | \$0 | | (\$2,740,076) |
| Anthem ¹ | \$83,160,769 | \$87,130,641 | \$91,963,210 | \$91,963,210 | 10.6% | \$5,173,431 | \$312,740 | | (\$5,486,171) |
| Options | | | | | | | | | |
| Kaiser ² | \$313,939,296 | \$334,523,794 | \$334,523,794 | \$334,523,794 | 6.6% | \$0 | \$0 | \$0 | \$0 |
| UnitedHealthcare | \$221,914,704 | \$244,402,028 | \$237,929,402 | \$237,929,402 | 7.2% | \$6,472,625 | \$411,058 | | (\$6,883,683) |
| Choices | | | | | | | | | |
| Kaiser ² | \$107,486,752 | \$115,508,686 | \$115,508,686 | \$115,508,686 | 7.5% | \$0 | \$0 | \$0 | \$0 |
| Cigna ³ | \$63,344,412 | \$72,038,148 | \$70,946,795 | \$70,946,795 | 12.0% | \$1,092,352 | \$50,000 | | (\$1,142,352) |
| Total Medical⁴ | \$839,848,057 | \$923,425,248 | \$907,946,763 | \$907,946,763 | 8.1% | \$15,478,485 | \$773,798 | | (\$16,252,282) |
| Delta PPO & DeltaCare HMO ⁵ | | | | | | | | | |
| Flex | \$11,689,001 | \$11,681,045 | \$11,677,852 | \$11,677,852 | 0.1% | \$3,183 | \$9,023 | | (\$12,205) |
| Options | \$54,690,363 | \$54,770,710 | \$54,748,370 | \$54,748,370 | 0.1% | \$22,340 | \$49,032 | | (\$71,372) |
| Choices | \$19,597,636 | \$19,639,860 | \$19,628,128 | \$19,628,128 | 0.2% | \$11,732 | \$20,962 | | (\$32,894) |
| Safeguard ² | | | | | | | | | |
| Flex | \$202,632 | \$210,745 | \$202,632 | \$202,632 | 0.0% | \$8,113 | \$0 | | (\$8,113) |
| Options | \$1,801,783 | \$1,873,772 | \$1,801,783 | \$1,801,783 | 0.0% | \$71,988 | \$0 | | (\$71,988) |
| Choices | \$948,492 | \$986,394 | \$948,492 | \$948,492 | 0.0% | \$37,902 | \$0 | | (\$37,902) |
| Total Dental⁴ | \$98,910,907 | \$99,162,925 | \$99,007,267 | \$99,007,267 | 0.1% | \$155,258 | \$79,017 | | (\$234,275) |
| Cigna Basic Life | \$834,538 | \$834,538 | \$834,538 | \$834,538 | 0.0% | \$0 | \$0 | | \$0 |
| Cigna AD&D | \$4,646,786 | \$4,646,786 | \$4,014,411 | \$4,014,411 | -13.6% | \$632,375 | \$0 | | (\$632,375) |
| Cigna Optional Life | \$27,852,445 | \$27,852,445 | \$27,852,445 | \$27,852,445 | 0.0% | \$0 | \$0 | | \$0 |
| Cigna Dependent Life | \$1,486,305 | \$1,486,305 | \$1,466,305 | \$1,466,305 | 0.0% | \$0 | \$0 | | \$0 |
| Total Life & AD&D⁶ | \$34,800,073 | \$34,800,073 | \$34,167,698 | \$34,167,698 | -1.8% | \$632,375 | \$0 | | (\$632,375) |
| TOTAL | \$983,560,237 | \$1,047,387,846 | \$1,031,121,728 | \$1,031,121,728 | 7.0% | \$10,268,118 | \$852,814 | | (\$17,118,932) |

Footnotes:

1. Anthem rates are calculated based on an expected premium basis
2. Performance guarantee penalties are reported together by carrier but are shown split by group based on premium volume
3. Cigna does not incorporate performance guarantee penalties into rates; penalty amounts are credited to the PSR
4. Medical & dental premiums are calculated using January 2012 enrollment to project estimated annual cost
5. Life & AD&D premiums are calculated using January 2012 premium payments to project estimated annual cost
6. Underlying rates are rounded to two decimal places; percentages shown are rounded to one decimal point